

Budget 2003

3 1761 11566438 7



Overview

LIBRARY

JUN 12 2003

University of Toronto

February 18, 2003

Canada

"This budget is about the society that Canadians value, the economy that Canadians need and the accountability that Canadians deserve."

Deputy Prime Minister
and Minister of Finance John Manley
2003 budget speech

Introduction

Thanks to the efforts and sacrifices of Canadians everywhere, Canada is enjoying the benefits of a thriving economy. Our nation led the G7 in growth last year and is expected to do the same in 2003.

Our resilient economic performance reflects strong economic fundamentals, which are underpinned by the Government's record of budgetary surpluses and a commitment to maintaining balanced budgets.

But this prosperity could be threatened by the uncertain global economic and political climate. Therefore, we will continue to exercise caution in our fiscal planning, restoring the full Contingency Reserve and economic prudence.

Budget 2003 recognizes the critical link between social and economic policy and how an integrated approach produces policies that benefit all Canadians.

It reflects this balanced approach to national finances in three ways:

- **building the society** Canadians value through investments in individual Canadians, their families and communities;

- **building the economy** Canadians need by promoting productivity and innovation while staying fiscally prudent; and

- **building the accountability** Canadians deserve by making government more transparent and accountable.

Economic and Fiscal Prospects

Canada's economy has shown remarkable resilience in the face of two years of global weakness and uncertainty.

In 2001, it not only avoided recession, but also posted strong gains and, most importantly, outperformed the United States and many of our major trading partners.

Last year, Canada's economy created 560,000 new jobs. More than 60 per cent of these jobs were full-time and gains were seen in every region and among all age groups.

Looking ahead, based on the average of private sector forecasts, Canada's economy is forecast to grow by 3.2 per cent in 2003—the highest rate of growth in the G7. It is expected to increase to 3.5 per cent in 2004.

This outlook could be affected by a number of factors, including an uncertain economic recovery in the U.S. coupled with a possible international military conflict.

Canada has now posted five consecutive budget surpluses. Federal debt (accumulated deficit) has been reduced by \$47.6 billion and federal debt-to-GDP declined to 46.5 per cent in 2001–02.

This budget projects balanced budgets in 2002–03 and over the fiscal plan to 2004–05. These are backed up by the normal \$3-billion Contingency Reserve and economic prudence.

Canada is the only G7 country expected to record a surplus in 2002 and 2003.

Building the Society Canadians Value Health Care

No social policy is more cherished or more vital to the quality of life of all Canadians than our publicly funded health care system.

The 2003 Health Care Accord agreed to by the Prime Minister and Canada's first ministers earlier this month will improve access to the health care system, enhance accountability for how health dollars are spent and ensure the system is sustainable.

Budget 2003 commits \$34.8 billion in increased federal funding over five years, including:

- a five-year, \$16-billion Health Reform Fund to the provinces and territories to target primary health care, home care and catastrophic drug coverage;
- \$9.5 billion in increased cash transfers to the provinces and territories;
- an immediate investment of \$2.5 billion through a Canada Health and Social Transfer supplement to relieve existing pressures;
- \$5.5 billion in health reform initiatives, including diagnostic/medical equipment and a six-week compassionate leave benefit under employment insurance; and
- \$1.3 billion to support health programs for First Nations.

Families and Communities

Budget 2003 makes major investments in Canadian families and communities, including:

- \$965 million annually in additional support through the National Child Benefit supplement of the Canada Child Tax Benefit (CCTB), bringing maximum benefits of \$3,243 for the first child, \$3,016 for the second and \$3,020 for each additional child by 2007, more than double the level of support in 1996;
- \$935 million over five years to assist provinces, territories and First Nations to provide greater access to quality child care and early learning opportunities;
- \$50 million per year to create the Child Disability Benefit—a new \$1,600 supplement to the CCTB for low- and modest-income families with disabled children;
- \$135 million each year for 3 years to continue to combat homelessness in Canada's cities;
- \$320 million over five years to enhance existing affordable housing agreements with the provinces and territories;
- \$256 million over two years to extend the government's housing renovation program; and
- \$3 billion in additional support for infrastructure development over the next ten years.



Canada's Role in the World

Budget 2003 recognizes the need to continue playing a positive role and commits significant new resources to security, the military and international aid. Among the highlights:

- an ongoing increase of \$800 million for Canadian military capabilities plus an immediate allocation of \$270 million to address urgent needs;
- reducing the Air Travellers Security Charge to \$7 from \$12 each way for domestic flights—a reduction of more than 40 per cent;
- an additional \$75 million over the next two years for the Security Contingency Reserve, to enable the Government to help respond to unforeseen security needs, including border security; and
- \$1.4 billion over this and the next two fiscal years to boost Canada's aid to poor countries—an increase of 8 per cent annually.

Building the Economy Canadians Need

Innovation and Skills

At the heart of the Government's agenda is achieving the highest possible standard of living and quality of life for all Canadians.

Budget 2003 invests \$2 billion to create a more innovative Canada, including:

- \$105 million annually to create the new Canada Graduate Scholarships program to provide financial support for 2,000 master's level and 2,000 PhD students at Canadian universities;

- \$125 million annually, beginning in 2003–04, to increase the budgets of Canada's three research-granting councils;
- \$225 million each year, beginning in 2003–04, to help fund the indirect costs of research at universities, colleges and research hospitals; and
- \$500 million this year to the Canada Foundation for Innovation to improve buildings and other infrastructure in research hospitals.

Improving the Tax System

Budget 2003 builds on the Government's Five-Year Tax Reduction Plan with further improvements to the tax system and enhanced incentives for Canadians to save and invest, including:

- increasing annual assistance for children in low-income families through the Canada Child Tax Benefit to \$10 billion by 2007;
- raising RRSP and RPP contribution limits to \$18,000 over four years, and indexing these new limits;
- supporting small businesses and entrepreneurs through a number of tax changes, including a 50-per-cent increase in the small business deduction limit to \$300,000 over four years;

- eliminating the federal capital tax over the next five years, with medium-sized businesses benefiting first; and

- improving the taxation of resource income in Canada by reducing the corporate tax rate of the sector to 21 per cent over the next five years while making changes to the tax structure of this key sector.

Sustainable Development

Canada's continued economic prosperity depends on a healthy environment. That's why Budget 2003 commits \$3 billion to key environmental initiatives, including:

- providing \$2 billion over five years to help implement the Government's Climate Change Plan for Canada, including measures to promote energy efficiency, renewable energy, sustainable transportation and new alternative fuels, where areas such as building retrofits, wind power, fuel cells and ethanol will be considered; and
- \$1 billion for other environmental measures, including improving air quality, supporting the clean-up of contaminated sites, protecting species at risk and creating new national parks and marine conservation areas. This also includes \$600 million over five years to upgrade water and sewer systems on First Nations reserves.

Building the Accountability Canadians Deserve

The Government is determined not only to manage taxpayers' dollars wisely, but also to be more accountable to taxpayers for how it manages their money. To achieve this goal, it will:

- reduce employment insurance premium rates to \$1.98 from \$2.10 for 2004;
- launch immediate consultations on a new regime for setting employment insurance contribution rates for 2005;
- make Government financial statements more comprehensive and transparent by presenting them on a full accrual basis of accounting;
- require departments and agencies to reallocate a total of \$1 billion per year from their budgets, starting in 2003–04, to help fund the cost of new initiatives announced in this budget;
- launch an ongoing review of all non-statutory programs over a five-year cycle to ensure that they continue to be relevant, effective and affordable; and
- improve the accountability to Parliament of arm's-length foundations created by the Government.

How Can I Get More Information on Budget 2003?

Information is available on the Internet at www.fin.gc.ca.

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-publications@fin.gc.ca

Ce document est également offert en français.